

VIA ECFS

March 2, 2004

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TW-A325
Washington, DC 20554

Re: *WT Docket No. 02-55 -- Notice of Oral Ex Parte Presentation*

Dear Ms. Dortch:

Pursuant to Section 1.1206(b) of the Commission's rules, Verizon Wireless, by its attorney, hereby notifies the Commission that on February 27, 2004, the following individuals met with Samuel Feder, Legal Advisor to Commissioner Martin, to present the attached Kane Reece overview: John Bareham, Executive Director, Spectrum Planning and Acquisitions, and Don Brittingham, Director – Wireless Policy, of Verizon Wireless; Robert Ott of Kane Reece Associates, Inc.; and the undersigned.

Attached is a copy of the presentation made at the meeting, titled "Determination of the Fair Market Value of the Spectrum Proposed for Realignment by Nextel Communications, Inc." The following additional document was provided during the presentation, a copy of which is attached:

- Pro Forma Analysis of Cingular/AT&T Wireless Transaction as of Feb. 17, 2004, by Kane Reece;

WILKINSON) BARKER) KNAUER) LLP

Marlene H. Dortch, Secretary

March 2, 2004

Page 2

Please contact me if you have questions or need additional information.

Respectfully submitted,

/s/

Kathryn A. Zachem

Attachment

cc: Samuel Feder

***Determination of the Fair Market Value
of the Spectrum Proposed for Realignment by
Nextel Communications, Inc.***

FCC WT Docket No. 02-55

***Presentation to the FCC
February 19, 2004***

Robert E. Ott, CFA, Principal of Kane Reece Associates, Inc.
James W. Cuddihy, Vice President – Engineering

Introduction & Background for Kane Reece Associates, Inc.



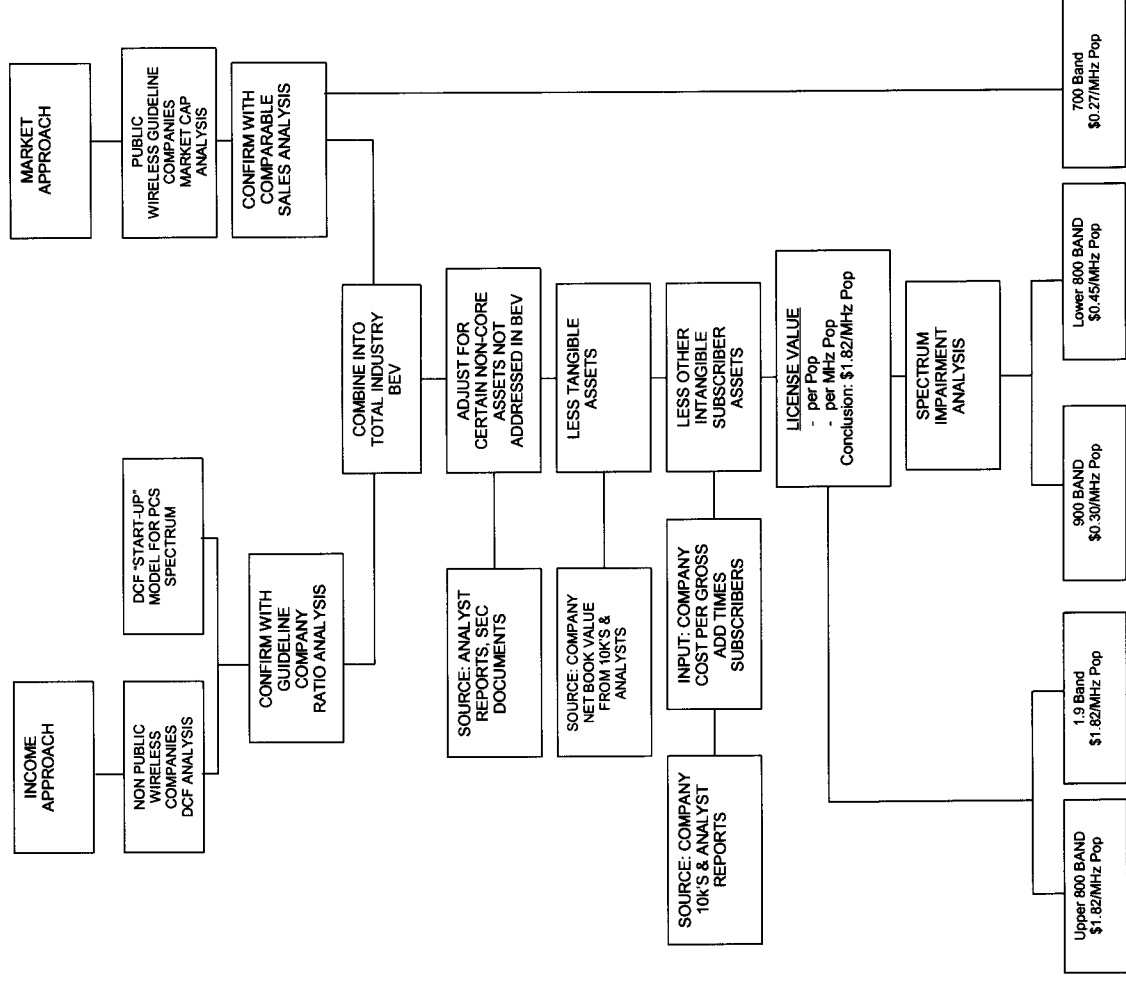
- International appraisal, valuation, management and technical consulting firm founded in 1986
- Our appraisal practice is concentrated in communications and media industries
- Serves businesses, attorneys, financial institutions and governments/agencies
- Decades of management and appraisal experience in industry and have supported findings in numerous judicial and administrative venues
- Credentials include CPA, CFA, ASA, PE; financial and engineering backgrounds
- Clients range from "Fortune 500" to closely held firms and partnerships; underlying asset values ranging from millions to billions of dollars
- Bob Ott is a principal of the firm with both engineering and business degrees; Jim Cuddihy is VP, Engineering
 - Both have communications industry experience and have appraised tens of billions of dollars of wireless industry assets and businesses

Valuation Methodology

Objective:

- Determine Business Enterprise Value (BEV) of US Wireless Industry
- Determine wireless industry spectrum value
- Determine value of proposed “Consensus Plan” spectrum

Nextel Proposed Spectrum Realignment Valuation Process



Valuation Methodology

Approaches Employed:

- Non-public Companies – income approach (DCF) & Public Guideline Company ratios
- Public Companies – Public Guideline Company approach
- Wireless Transaction comparable sales analysis conducted to confirm reasonableness of DCF and Guideline Company approaches
- Aggregate the BEV's for the Industry
- Compile data for each company's average spectrum (MHz), licensed population and subscribers from public sources (10K's, analysts reports, press releases)
- Determine spectrum or license value as residual after deducting all other material identified assets from the BEV
- Calculate spectrum FMV per MHz-Pop
- Confirm reasonableness through "comparable" spectrum sales
- Determine appropriate spectrum impairments applicable in Consensus Plan proposal

Attributes of Kane Reece Valuation Approach

- Consistent with Uniform Standards of Professional Appraisal Practice (“USPAP”) and investment banking industry practice
- Proper treatment of income tax provision in DCF’s, control premium in Guideline Company analysis, and correct customer relationship approach employed
- Recognizes that all spectrum is not “created equal”
- Employs a broad cross section of the industry to represent value of near-nationwide spectrum
- Appraisal addresses the required income, market and cost approaches to value and does not rely on a single transaction comparable sale as a value conclusion

U.S. Wireless Industry License Fair Market Value Conclusion

Wireless Operators As of <u>12/31/02</u>	<u>Total/Average</u>
Total Wireless Industry Business Enterprise Value (\$ Mil)	\$ 210,932
Less: Net PP&E	81,101
Less: Customer Relationship Asset (CPGA * Subscribers)	<u>47,591</u>
License Value Indication (\$M)	82,240
Average MHz (for licensed Pops)	26.1
Total Pops (M)	<u>1,731</u>
MHz*Pops(M)	<u>45,147</u>
License Value per MHz-Pop	\$ 1.82

Summary of Nextel Windfall

Nextel Existing Spectrum Proposed to be Relinquished:

	<u>FMV</u> <u>(\$ Million)</u>	<u>Bandwidth</u> <u>(MHz)</u>	<u>Pops</u> <u>(Millions)</u>	<u>License Value</u> <u>Per MHz Pop</u>
700 MHz (4 MHz):	\$ 31	4.0	290	\$ 0.027
800 MHz (8.5 MHz):	898	8.5	235	0.450
900 MHz (3.8 MHz):	331	3.8	290	0.300
Total license value relinquished:	\$ 1,260			

Nextel Proposed Spectrum to be Granted:

800MHz (6 MHz):	\$ 3,167	6.0	290	\$ 1.820
1.9 GHz (10 MHz):	5,278	10.0	290	1.820
Total Spectrum to be Granted	\$ 8,445			
License Value Gained	\$ 7,185			

Impairment Calculation for 800 MHz

70%

**Voice Capacity at 800 MHz
iDEN relative to CDMA 1xRTT (in Erlangs)**

17.5%

**Co-Channel encumbrances at 800 MHz
reduces Nextel's available channels based on
Commission July 2002 submission to Congress**

75.3%

**Net 800 MHz Impairment
 $(1 - 0.7) \times (1 - 0.175) = 0.247$
 $1 - 0.247 = 0.753$**

Fair Market Value of Nextel's 8.5 MHz at 800 MHz to be surrendered:

$8.5 \text{ MHz} \times \$1.82/\text{MHz-Pop} \times 235\text{M Pops} \times 0.247 = \898 Million

Comparison of iDEN and CDMA Capacity

	iDEN 3 channels/ carrier	iDEN 6 channels/carrier	CDMA1xRTT
Channel Bandwidth (MHz)	0.025	0.025	1.25
Number of Channels	50	50	1
Bandwidth being compared (MHz)	1.25	1.25	1.25
Vocoder (KHz)	8	8	8
Frequency Reuse Factor	1/7	1/7	1
Channels per Cell Site	7.14	7.14	3.00
Number of sectors	3	3	3
Channels per sector	2.38	2.38	1.00
Simultaneous Users Per Channel	3	6	35
Simultaneous Users/sector	7.14	14.29	35.00
iDEN Capacity relative to CDMA 1xRTT in simultaneous users/sector	20.4%	40.8%	
iDEN Disadvantage	79.6%	59.2%	
Erlangs per sector	2.5	7.4	24.6
iDEN capacity relative to CDMA1xRTT in Erlangs/sector	10.2%	30.1%	
iDEN Erlang disadvantage	89.8%	69.9%	

Conservative Aspects of Appraisal

- **Wireless values have increased significantly in the last year**
 - Kagan World Media – Wireless Telecom stock average up 97%
- **Used minimum capacity impairment (CDMA vs. iDEN)**
- **No premium added for national license at 800 MHz or 1.9 GHz**
- **No premium for contiguous spectrum at 800 MHz**
 - “New” 6 MHz contiguous to existing 10 MHz of Nextel spectrum
- **No value given to high-speed data capabilities of CDMA vs. iDEN**

Summary

- **Consensus Plan would increase value of Nextel's spectrum by \$7.2 B**
- **Appraisal recognizes the differences in spectrum attributes**
 - Non-contiguous spectrum vs. contiguous
 - Heavily encumbered vs. relatively clear
 - Subject to restrictions (700 MHz) vs. flexible rules
 - Non-national vs. nationwide
- **Appraisal is consistent with standard industry practice**
- **Appraisal is conservative**

**Pro Forma Analysis of
Cingular/ATT Wireless Transaction as of Feb 17, 2004**

Shares Outstanding(M)*	2,733	
Share Price	\$ 15.00	
Equity(M)		\$ 40,995
Long Term Debt	10,607	
Preferred Stock	171	
Cash	(4,205)	
Net "Debt"		<u>6,573</u>
Mkt Value of Invested Capital		47,568
Working Cap Surplus/(Deficit)		123
Investment in Unconsol. Subs		<u>(1,816)</u>
Net Wireless Value(M)		<u>\$ 45,875</u>
Tangible Assets(M)		\$ 16,068
# Customers	22,000	
CPGA	392	
Customer Relationships Value		8,624
License Value(M)		<u>\$ 21,183</u>
Pops(M)	274	
MHz	33	
MHz Pops		9,042
License/MHz Pop		<u>\$ 2.34</u>
Kane Reece Appraisal as of 12/02		\$ 1.82
Impact on KR Appraisal of Cingular/ATT		\$ 2.11

* Incl's DoCoMo's Mand Redeem. Common Shares

Sources:

New York Times & Wall St. Journal Feb 18, 2004

S&P Data Base

AWE SEC 10Q 3rd Qtr 2003 filing

Note: Pops & MHz are Per Analysts Reports Referenced In
Kane Reece Wireless License Appraisal as of 12/02